

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

3167

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Department:

Development and Growth

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Subject:

Additional payment of Management Fee to Nottingham City Homes

Total Value:

£0.227m in 2017/18 and £0.050m in 2018/19 (Type: Revenue)

Decision Being Taken:

To make additional payments of management fee to Nottingham City Homes to reflect expense incurred, or that will be incurred next year because of changes to the stock and operational processes. These payments, and the reasons for them are detailed below.

Reasons for the Decision(s)

The Council has acquired a new independent living scheme (Sutton House) in January 2017 and has built three new schemes during 2017/18 (Hazel Hill, Conway Close and Oakford Gardens), all of which now form part of the Council's housing stock. Nottingham City Homes manages the Council's housing stock and is paid a Management Fee for this function and in order to fund the additional support required by these schemes an adjustment in the fee is required.

It is proposed that the additional service charge income generated from tenants at these new schemes is used to fund the additional Management Fee to NCH to pay for services provided to these tenants. The services provide support to residents to increase or maintain their independence. The cost of these services will be funded by the additional income from service charges and so is cost neutral to the HRA. The additional service charges collected in 2017/18 are shown in below and the estimated values for 2018/19 are also listed.

In the 2017/18 budget an additional £97k was added to the Management Fee to fund NCH for laundry costs, where tenants pay a service charge for use of communal laundry facilities. This was funded by the additional income in service charges (in place of previously coin-operated facilities). The scheme has generated a further £15k of income than initially estimated, which it is proposed is paid over to NCH to support the operation and maintenance of the machines.

The breakdown of additional fee in 2017/18 is as follows:

Sutton House 2016/17	£14k
Sutton House 2017/18	£69k
Hazel Hill	
2017/18	&nbs
p;	£4k
Laundry charge 2017/18	£15k
Total additional fee 2017/18	£102k

The breakdown of additional fees in 2018/19 is as follows:

Sutton House 2018/19	nil (already
in approved budget)	
Hazel	
Hill	&n
bsp;	£15k
Conway Close	
£14k	
Oakford Close	
£6k	
Laundry	&nbs
p;	£15k
Total additional fee 2018/19	£50k

2017/18: Additional £0.125m

During 2017 NCH undertook a review of fire safety at the thirteen high rise tower blocks owned by the Council and made recommendations for improvements such as the installation of sprinklers and improvements to fire alarms. It has prepared an action plan to implement fire safety works within these buildings and developed a programme of works, which was approved at the meeting of Executive Board on 17th October 2017. Due to the exceptional and urgent requirement to complete this work extra resources were required and one-off addition of the management fee of £0.125m is proposed. This cost will be funded from the HRA and if there is no surplus at the end of the financial year, then the HRA working balance will be reduced.

Other Options Considered:	To not fund NCH for delivery of these service: rejected because this would result in reductions to service to the tenants who are entitled to them by payment of a service charge
Background Papers:	None
Published Works:	None
Affected Wards:	Citywide
Colleague / Councillor Interests:	
Consultations:	Those not consulted are not directly affected by the decision.
Crime and Disorder Implications:	None
Equality:	EIA not required. Reasons: The report is about a financial transaction between the Council and NCH which will have minimal impact upon citizens
Decision Type:	Portfolio Holder
Subject to Call In:	Yes
Call In Expiry date:	04/06/2018
Advice Sought:	Legal, Finance

Legal Advice:

There are no significant legal issues arising from this proposal. The proposed additional amount is to reflect the management work undertaken by NCH under their existing ALMO arrangements with the Council to account for the new schemes that have been added to the Council's portfolio.

The proposal is not considered to raise any procurement issues.

A clear record of the change in the fee for 2017/18 and 18/19 needs to be in place.

Advice provided by Naomi Vass (Senior Solicitor) on 16/04/2018. Advice provided by Nancy Barnard (Governance Manager) on 25/04/2018.

Finance Advice:

The decision will increase the Management Fee paid to NCH in 2017/18 and 2018/19 which will impact on the Council's Housing Revenue Account (HRA) with a net additional cost of £0.125m in 2017/18.

Increases to Management Fee paid to NCH are as follows:

2017/18 £0.102m Independent living schemes funded from additional service charge income from tenants - no net impact on HRA (one-off)

2018/19 £0.050m Independent living schemes funded from additional service charge income from tenants - no net impact on HRA (on-going)

2017/18 £0.125m Fire safety works review and action plan - reduction to HRA working balance of £0.125m (one-off)

The HRA Working Balance acts as a contingency to cover unexpected significant expenditure or unplanned major additional expenditure. The cost of the activity to review the fire safety works and prepare an action plan following the fire at Grenfell flats in London in 2017 can therefore be funded from the working balance (£4.000m at 1/4/2017). Based on the latest HRA outturn reported (quarter 3), this would will result in a decrease to the working balance to £3.875m.

Advice provided by Julie Dorrington (Senior Accountant (Housing Revenue Account)) on 16/04/2018. Advice provided by Nancy Barnard (Governance Manager) on 25/04/2018.

Signatures

Jane Urquhart (PH for Housing and Planning)
SIGNED and Dated: 24/05/2018
David Bishop (Deputy CE, CD for Development and Growth)
SIGNED and Dated: 21/05/2018